

**REPORT OF THE AUDIT OF THE
BRACKEN COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2006**



**CRIT LUALLEN
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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
John Farris, Secretary
Finance and Administration Cabinet
Honorable Leslie Newman, Former Bracken County Judge/Executive
Honorable Gary L. Riggs, Bracken County Judge/Executive
Members of the Bracken County Fiscal Court

The enclosed report prepared by Percy and Gray, PSC, Certified Public Accountant, presents the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bracken County, Kentucky, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements.

We engaged Percy and Gray, PSC to perform the audit of these financial statements. We worked closely with the firm during our report review process; Percy and Gray, PSC evaluated the Bracken County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE BRACKEN COUNTY FISCAL COURT

June 30, 2006

Peercy and Gray, PSC has completed the audit of the Bracken County Fiscal Court for fiscal year ended June 30, 2006.

We have issued an unqualified opinion, on the governmental activities, each major fund, and aggregate remaining fund information financial statements of Bracken County, Kentucky.

Financial Condition:

The fiscal court had net assets of \$4,037,626 as of June 30, 2006. The fiscal court had unrestricted net assets of \$1,454,781 in its governmental activities as of June 30, 2006, with total net assets of \$4,037,626. The fiscal court had total debt principal as of June 30, 2006 of \$552,000 with \$40,000 due within the next year.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities.

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PEERCY AND GRAY, PSC

Certified Public Accountants

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To the People of Kentucky

Honorable Ernie Fletcher, Governor

John Farris, Secretary

Finance and Administration Cabinet

Honorable Leslie Newman, Former Bracken County Judge/Executive

Honorable Gary L. Riggs, Bracken County Judge/Executive

Members of the Bracken County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bracken County, Kentucky, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Bracken County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Bracken County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bracken County, Kentucky, as of June 30, 2006, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the People of Kentucky
Honorable Ernie Fletcher, Governor
John Farris, Secretary
Finance and Administration Cabinet
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Members of the Bracken County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bracken County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated October 18, 2006 on our consideration of Bracken County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink that reads "Percy and Gray, PSC". The script is cursive and fluid.

Percy and Gray, PSC
Certified Public Accountants

Audit fieldwork completed -
October 18, 2006

BRACKEN COUNTY OFFICIALS

For The Year Ended June 30, 2006

Fiscal Court Members:

Leslie Newman	County Judge/Executive
Matthew Clark Hennessey, Jr.	Magistrate
Neil Brumley	Magistrate
David Kelsch	Magistrate
Scotty Lippert	Magistrate
Timothy Figgins	Magistrate
Dennis Jefferson	Magistrate
Perry Poe	Magistrate
Wilma Jones	Magistrate

Other Elected Officials:

Edward Rudd	County Attorney
Gary Riggs	Jailer
Rae Jean Poe	County Clerk
Catherine Riggs	Circuit Court Clerk
Mike Nelson	Sheriff
Steve Thornsby	Property Valuation Administrator
John G. Parker	Coroner

Appointed Personnel:

Judith F. Brothers	County Treasurer
Rodney Eagan	Finance Officer

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Leslie L. Newman
Bracken County Judge/Executive
P.O. Box 264
Brooksville, KY 41004
Office: (606) 735-2300 Fax: (606) 735-2615

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Bracken County Fiscal Court's financial performance provides an overview of the County's financial activities for the fiscal year ended June 30, 2006.

FINANCIAL HIGHLIGHTS

- The County's total revenues for the year exceeded total expenses by \$625,133 (excluding prior year surplus) for the year, resulting in an increase in total net assets of 18.31% over the previous year. The increase is attributed to the County's operation of its governmental activities.
- The County received \$11,325 from DES as a reimbursement for damages contributed to an ice storm.
- The County received a \$10,017 medical grant that was passed through to the Bracken County Ambulance District.
- The County received \$9,000 from PSFA as a reimbursement for 911 equipment.
- The County received \$235,445 in State Grants to be used for the Brooksville and Augusta 201 Sewer/Water Project.
- The County received \$5,000 in C.D.B.G. Funds that were used in the Scattered Waterlines Project to close the account.
- The County received \$16,990 in Litter Abatement Funds to aid in the county roadside clean up.
- The County received funds in the amount of \$58,770 to upgrade the voting machines and to make them accessible.
- The County decreased debt principal by \$38,000 due to the pay down of the courthouse renovation and road loader debts.

Bracken County
Managements' Discussion and Analysis
June 30, 2006
(Continued)

OVERVIEW OF THE FINANCIAL STATEMENTS

The management discussion and analysis serves as an introduction to the County's basic financial statements, which are the government-wide financial statements, fund financial statements, and notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the overall finances of the County similar to a business enterprise. These statements combine and consolidate short-term, spendable resources with capital assets and long-term obligations.

The statement of net assets presents information on all of the County's assets less liabilities, which results in net assets. The statement is designed to display the financial position of the County. Over time, increases or decreases in net assets help determine whether the County's financial position is improving or deteriorating.

The statement of activities provides information which shows how the County's net assets changed as a result of the year's activities. The County's governmental activities include general government, protection to persons and property, general health and sanitation, social services, recreation and culture, transportation facilities and service, and roads.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate fiscal accountability.

GOVERNMENTAL FUNDS

Government funds are used to report the County's basic services. The funds focus on the inflows and outflows of current resources and the balances of spendable resources available at the end of the fiscal year. Governmental fund statements provide a near- or short-term view of the County's operations.

Seven governmental funds were used by the County in the 2005-2006 fiscal year: General, Road, Jail, LGEA, State Grants, CDBG, Special and Senior Citizens. The General and Road Funds are presented as major while the Jail, LGEA, State Grants, CDBG, Special and Senior Citizens Funds are non-major.

The County adopts an annual appropriated budget for its funds.

Bracken County
 Managements' Discussion and Analysis
 June 30, 2006
 (Continued)

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A comparative analysis of government-wide information is presented in the following tables:

Table 1
Bracken County Net Assets

Assets	<u>Governmental Activities</u>	
	2005	2006
Current and other assets	\$ 1,377,214	\$ 1,454,781
Capital assets	<u>2,625,279</u>	<u>3,134,845</u>
Total Assets	4,002,493	4,589,626
Liabilities		
Current Liabilities	38,000	40,000
Long-term liabilities	<u>552,000</u>	<u>512,000</u>
Total Liabilities	590,000	552,000
Net Assets		
Invested in capital assets, net of related debt	2,035,279	2,582,845
Unrestricted	<u>1,377,214</u>	<u>1,454,781</u>
Total Net Assets	<u>\$ 3,412,493</u>	<u>\$ 4,037,626</u>

Changes in Net Assets

Investment in capital assets and infrastructure, net of related debt increased \$547,566 primarily due to the reduction of debt and the capitalization of infrastructure.

Statement of Activities

This statement shows how the government's net assets changed during the year. Table 2 shows a comparison of 2006 and 2005 figures. The graphs that follow illustrate how the county's net assets changed for 2006.

Bracken County
 Managements' Discussion and Analysis
 June 30, 2006
 (Continued)

Table 2
Bracken County Statement of Activities
 Governmental Activities

	2005	2006
Program Revenues:		
Charges for Services	\$ 48,786	\$ 41,192
Operating Grants and Contributions	1,118,394	1,473,461
Capital Grants and Contributions	<u>110,500</u>	<u>294,632</u>
Total Program Revenues	1,277,680	1,809,285
General Revenues		
Taxes	989,397	1,055,830
Excess Fees	4,615	11,457
Unrestricted Investment Earnings	12,120	18,395
Miscellaneous Revenues	<u>75,279</u>	<u>70,278</u>
Total General Revenues	<u>1,081,411</u>	<u>1,155,960</u>
Total Revenues	2,359,091	2,965,245
Program Expenses:		
General Government	827,655	1,078,431
Protection to Persons & Property	279,303	379,359
General Health & Sanitation	91,169	119,551
Social Services	77,205	62,241
Recreation & Culture	21,130	9,596
Roads	834,228	624,626
Bus Services	17,110	31,519
Debt Service	5,432	29,128
Capital Projects	<u>84,812</u>	<u>5,661</u>
Total Expenses	<u>2,238,044</u>	<u>2,340,112</u>
Change in Net Assets	121,047	625,133
Net Assets-Beginning	<u>3,291,446</u>	<u>3,412,493</u>
Net Assets-Ending	<u>\$ 3,412,493</u>	<u>\$ 4,037,626</u>

Bracken County
 Managements' Discussion and Analysis
 June 30, 2006
 (Continued)

GOVERNMENTAL ACTIVITIES

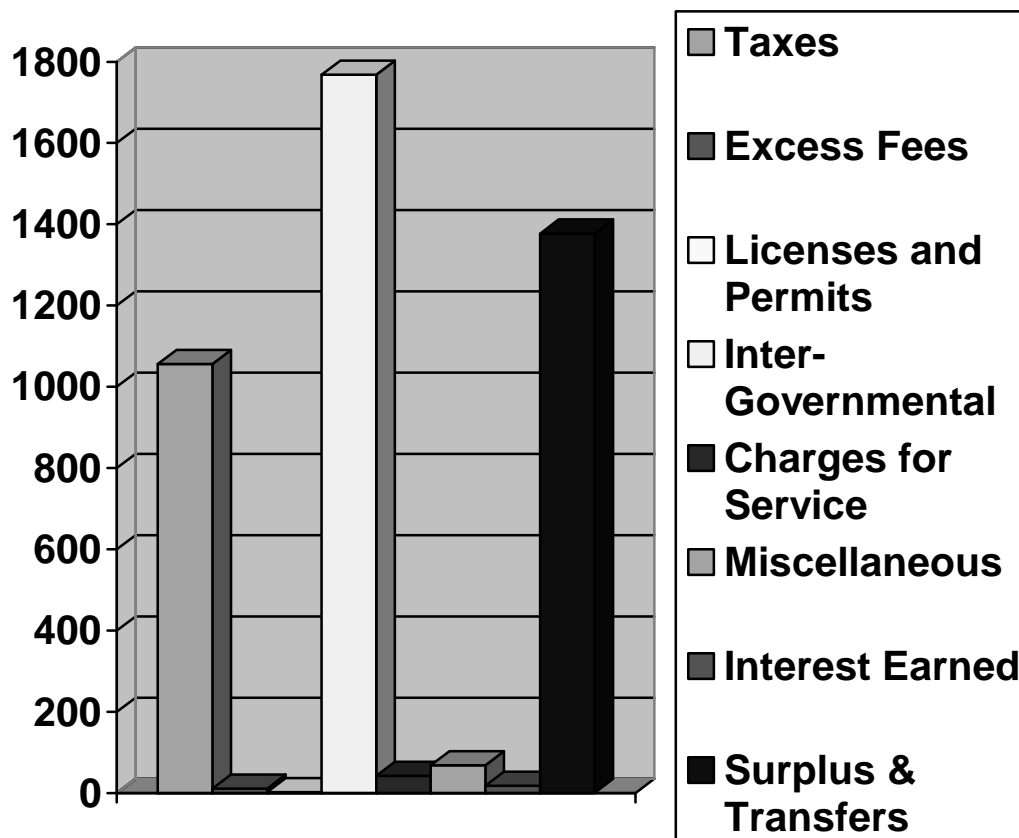
For the year ended June 30, 2006, the County's governmental activities were funded as follows:

SOURCES OF FUNDS FOR GOVERNMENTAL ACTIVITIES

Revenues for the County's governmental activities for the year ended June 30, 2006 were \$2,965,245. Specifically, intergovernmental revenue is the greatest component of revenues (excluding surplus and transfers).

REVENUES BY SOURCE

Table 3 - (in thousands)
Bracken County
Revenues By Source



For the year ended June 30, 2006, total expenses for governmental activities amounted to \$2,340,112.

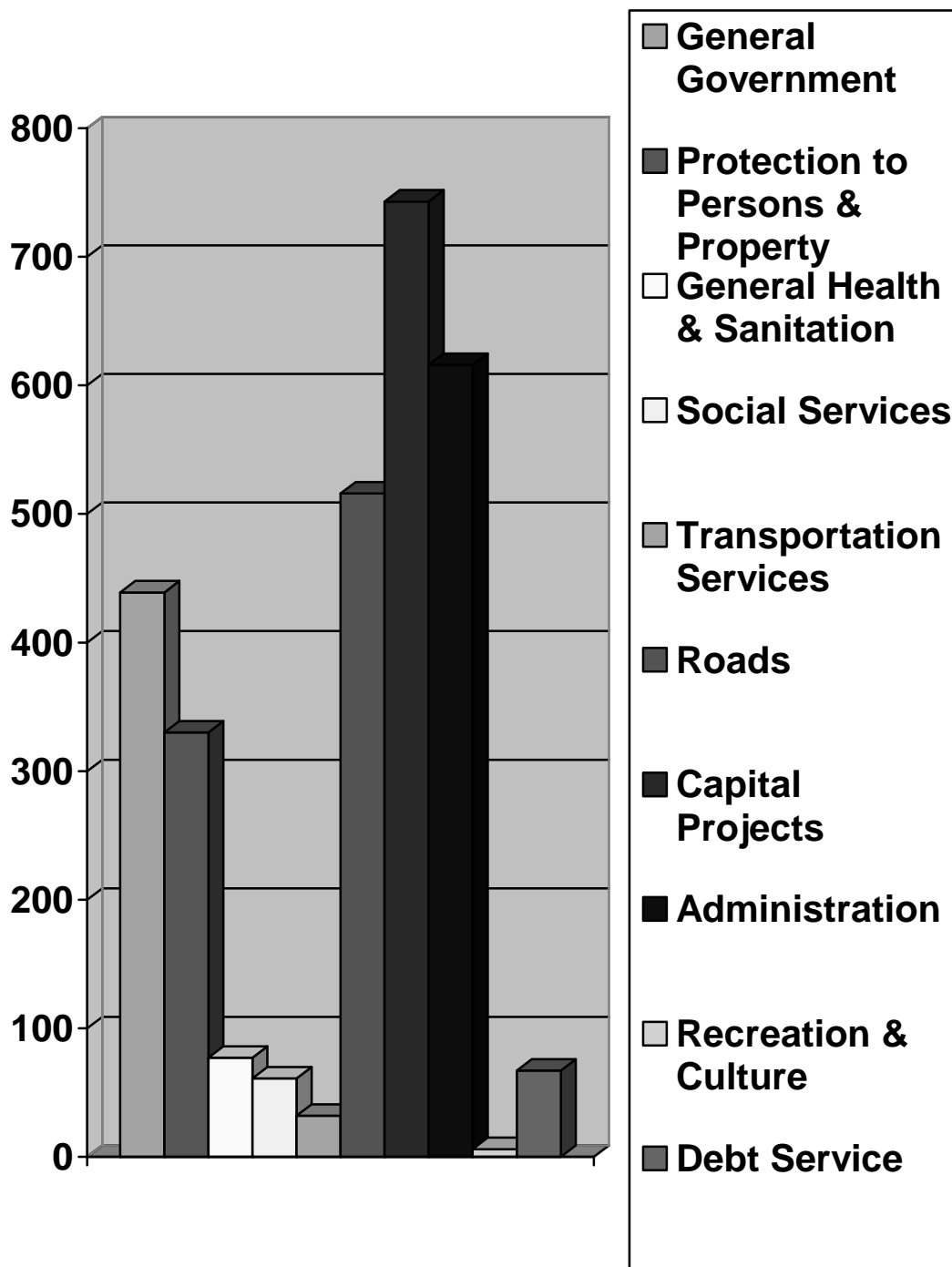
Bracken County
 Managements' Discussion and Analysis
 June 30, 2006
 (Continued)

USES OF FUNDS IN GOVERNMENT ACTIVITIES

Table 4 - (in thousands)

Bracken County

Use Of Funds In Government Activities



Bracken County
 Managements' Discussion and Analysis
 June 30, 2006
 (Continued)

A FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

During the year, the Court revised the budget several times as new information indicated a need. Certain funds experienced noteworthy changes from the prior year and are highlighted as follows:

- The General Fund reported revenues of \$1,545,654 (excluding prior year surplus) expenditures of \$1,315,429 and net transfers of \$65,000, resulting in an increase in fund balance of \$165,225.
- The Road Fund reported revenues of \$1,266,687 (excluding prior year surplus) and expenditures of \$1,311,970, resulting in a decrease in fund balance of \$45,283.

General Fund Budgetary Highlights. The Bracken County budget was amended during the fiscal year increasing the budgeted revenues and budgeted expenditures by \$200,000. Actual revenues were \$353,422 over budget. Actual expenditures were \$483,240 under budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

At the end of June 30, 2006, the County had invested in capital assets, net of depreciation.

Table 5
Bracken County's Capital Assets, Net of Accumulated Depreciation

	2005	2006
Land and Land Improvements	\$ 124,117	\$ 124,117
Buildings	1,475,836	1,428,633
Equipment	433,480	386,340
Vehicles	171,209	270,634
Infrastructure	420,637	925,121
	-----	-----
Totals	\$ 2,625,279	\$ 3,134,845
	=====	=====

This year's most significant capital asset additions included Road Vehicles and Voting Machines Upgrades.

Infrastructure represents only roads repaved in the 2003-2004, 2004-2005 and the 2005-2006 fiscal years. This asset will increase as additional roads will be added in following years.

Bracken County
Managements' Discussion and Analysis
June 30, 2006
(Continued)

Additional information of the County's capital assets can be found in Note 4 of this report.

LONG-TERM DEBT

At the end of the year, the County had \$552,000 (principal) in long-term debt. This represents a 6.44% decrease. The County's long-term debt is comprised of one note with KACO with a fifteen-year maturity (August 20, 2017). The debt service for this note is paid partially by AOC with remaining funds from the General Fund (courthouse addition) and the Road Fund (loader).

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

For the year ending June 30, 2007, all funds have been budgeted consistently with this year.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This report is designed to provide citizens, taxpayers, customers and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Judge's office at 116 West Miami Street, P.O. Box 264, Brooksville, KY 41004, or telephone 606-735-2300.

Leslie Newman
County Judge/Executive

BRACKEN COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

JUNE 30, 2006

BRACKEN COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2006

	<u>Primary Government Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 1,454,781
Total Current Assets	<u>1,454,781</u>
Noncurrent Assets:	
Capital Assets - Net of Accumulated Depreciation	
Land and Land Improvements	124,117
Buildings	1,428,633
Other Equipment	386,340
Vehicles and Equipment	270,634
Infrastructure Assets - Net of Depreciation	<u>925,121</u>
Total Noncurrent Assets	<u>3,134,845</u>
Total Assets	<u><u>4,589,626</u></u>
LIABILITIES	
Current Liabilities:	
Financing Obligations	40,000
Noncurrent Liabilities:	
Financing Obligations	<u>512,000</u>
Total Liabilities	<u><u>552,000</u></u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	\$ 2,582,845
Unrestricted	<u>1,454,781</u>
Total Net Assets	<u><u>\$ 4,037,626</u></u>

The accompanying notes are an integral part of the financial statements.

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BRACKEN COUNTY
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS

For The Year Ended June 30, 2006

BRACKEN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

Functions/Programs Reporting Entity	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 1,078,431	\$ 6,370	\$ 149,624	\$ 58,770
Protection to Persons and Property	379,359	34,822	38,579	10,017
General Health and Sanitation	177,877		9,596	225,845
Social Services	3,915			
Recreation and Culture	9,596			
Roads	624,626		1,217,788	
Bus Service	31,519		27,429	
Debt Service	29,128			
Capital Projects	5,661		30,445	
Total Governmental Activities	2,340,112	41,192	1,473,461	294,632
Total Primary Government	\$ 2,340,112	\$ 41,192	\$ 1,473,461	\$ 294,632

General Revenues:

Taxes:

 Real Property Taxes

 Personal Property Taxes

 Motor Vehicle Taxes

 Other Taxes

Excess Fees

Miscellaneous Revenues

Unrestricted Investment Earnings

 Total General Revenues

 Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

BRACKEN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2006
(Continued)

Net (Expenses) Revenues and Changes in Net Assets	
Primary Government	
Governmental Activities	Totals
\$ (863,667)	\$ (863,667)
(295,941)	(295,941)
115,890	115,890
(62,241)	(62,241)
(9,596)	(9,596)
593,162	593,162
(4,090)	(4,090)
(29,128)	(29,128)
24,784	24,784
(530,827)	(530,827)
(530,827)	(530,827)
663,351	663,351
17,382	17,382
75,858	75,858
299,239	299,239
11,457	11,457
70,278	70,278
18,395	18,395
1,155,960	1,155,960
625,133	625,133
3,412,493	3,412,493
\$ 4,037,626	\$ 4,037,626

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BRACKEN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2006

BRACKEN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2006

	<u>General Fund</u>	<u>Road Fund</u>	<u>Non- Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ 729,691	\$ 643,936	\$ 81,154	\$ 1,454,781
Total Assets	<u>\$ 729,691</u>	<u>\$ 643,936</u>	<u>\$ 81,154</u>	<u>\$ 1,454,781</u>
FUND BALANCES				
Reserved for:				
Encumbrances	\$ 846	\$ 8,047	\$	\$ 8,893
Unreserved:				
General Fund	728,845	635,889		1,364,734
Special Revenue Funds			81,154	81,154
Total Fund Balances	<u>\$ 729,691</u>	<u>\$ 643,936</u>	<u>\$ 81,154</u>	<u>\$ 1,454,781</u>

Reconciliation to Statement of Net Assets:

Total Fund Balances	\$ 1,454,781
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital Assets Used In Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported In The Funds.	4,254,995
Accumulated Depreciation	(1,120,150)
Long-term Debt Is Not Due And Payable In The Current Period And, Therefore, Is Not	
Reported In The Funds.	
Financing Obligations	<u>(552,000)</u>
Net Assets Of Governmental Activities	<u>\$ 4,037,626</u>

The accompanying notes are an integral part of the financial statements.

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BRACKEN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

BRACKEN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

	<u>General Fund</u>	<u>Road Fund</u>	<u>Non- Major Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 1,055,830	\$	\$	\$ 1,055,830
Excess Fees	11,457			11,457
Licenses and Permits	1,652			1,652
Intergovernmental	461,668	1,217,788	88,637	1,768,093
Charges for Services	6,370		34,822	41,192
Miscellaneous	27,077	37,576	3,973	68,626
Interest	6,056	11,468	871	18,395
Total Revenues	<u>1,570,110</u>	<u>1,266,832</u>	<u>128,303</u>	<u>2,965,245</u>
EXPENDITURES				
General Government	433,928		5,426	439,354
Protection to Persons and Property	189,588		140,695	330,283
General Health and Sanitation	53,686	23,404	58,326	135,416
Social Services	2,654			2,654
Recreation and Culture	6,250			6,250
Roads		515,905		515,905
Bus Service	31,519			31,519
Debt Service	58,448	8,680		67,128
Capital Projects	75,638	642,498	24,806	742,942
Administration	488,174	121,628	6,425	616,227
Total Expenditures	<u>1,339,885</u>	<u>1,312,115</u>	<u>235,678</u>	<u>2,887,678</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>230,225</u>	<u>(45,283)</u>	<u>(107,375)</u>	<u>77,567</u>
Other Financing Sources (Uses)				
Transfers From Other Funds			65,000	65,000
Transfers To Other Funds	(65,000)			(65,000)
Total Other Financing Sources (Uses)	<u>(65,000)</u>		<u>65,000</u>	
Net Change in Fund Balances	165,225	(45,283)	(42,375)	77,567
Fund Balances - Beginning	564,466	689,219	123,529	1,377,214
Fund Balances - Ending	<u>\$ 729,691</u>	<u>\$ 643,936</u>	<u>\$ 81,154</u>	<u>\$ 1,454,781</u>

The accompanying notes are an integral part of the financial statements.

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BRACKEN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

BRACKEN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

Reconciliation to the Statement of Activities:

Net Change In Fund Balances - Total Governmental Funds \$ 77,567

Amounts Reported For Governmental Activities In The Statement Of Activities
 Are Different Because :

Governmental Funds Report Capital Outlays As Expenditures. However, In The
 Statement Of Activities The Cost Of Those Assets Are Allocated Over Their
 Estimated Useful Lives And Reported As Depreciation Expense.

Net Book Value-Disposed Assets (12,600)

Capital Outlay 737,281

Depreciation Expense (215,115)

Financing Obligation Payments Are Expensed In The Governmental Funds
 As A Use Of Current Financial Resources. However, At The Government-wide Level,
 These Transactions Have No Impact On Net Assets.

Financing Obligations 38,000

Change In Net Assets Of Governmental Activities \$ 625,133

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

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BRACKEN COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Bracken County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14 and GASB 39 there are no component units which merit consideration as part of the reporting entity.

C. Bracken County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Bracken County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Bracken County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

BRACKEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements

The primary government reports the governmental activities using the economic resources measurement focus and the modified cash basis of accounting. Revenues are recognized when received and expenses are recognized when paid, except for the recognition of depreciation expense on the statement of activities.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities are supported by taxes and intergovernmental revenues. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the financial statements.

The governmental funds are accounted for on the modified cash basis and focus on the flow of current financial resources. Revenues are recognized when received and expenditures are recognized when paid.

BRACKEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds

The government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

The government also has the following non-major funds: Jail Fund, Local Government Economic Assistance Fund, State Grants Fund, C.D.B.G. Fund, Senior Citizens Fund, and Special Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, State Grants Fund, C.D.B.G. Fund, Senior Citizen Fund, and Special Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

BRACKEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings	\$ 25,000	10-75
Building Improvements	\$ 25,000	10-60
Machinery and Equipment	\$ 2,500	3-25
Infrastructure	\$ 20,000	10-50
Intangibles	\$ 2,500	2-40
Vehicles	\$ 2,500	6-10

G. Long-term Obligations

In the government-wide financial statements and proprietary funds in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

BRACKEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity (Continued)

“Reserved for Encumbrances” are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

J. Related Organizations, Joint Venture, and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization’s governing board. Based on these criteria, there are no related organizations of Bracken County Fiscal Court.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the Augusta-Brooksville-Bracken County Industrial Authority is a joint venture of the Bracken County Fiscal Court.

Note 2. Deposits

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

BRACKEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of a depository institution failure, the government's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2006, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Operating Leases

A. Operating Lease - Copier

The fiscal court entered into a lease agreement with Modern Office Methods for a copier. The total expense related to these leases was \$2,652 for the fiscal year ended June 30, 2006. The future minimum lease payments for these leases are as follows:

Fiscal Year Ended June 30	Amount
2007	2,652
2008	2,652
2009	1,326
Total Minimum Lease Payments	<u>\$ 6,630</u>

B. Operating Lease - Copier

The fiscal court entered into a lease agreement with Toshiba Financial Services for a copier. The total expense related to these leases was \$4,500 for the fiscal year ended June 30, 2006. The future minimum lease payments for these leases are as follows:

Fiscal Year Ended June 30	Amount
2007	4,500
2008	4,500
2009	4,500
2010	1,875
Total Minimum Lease Payments	<u>\$ 15,375</u>

BRACKEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 124,117		\$	\$ 124,117
Total Capital Assets Not Being Depreciated	124,117			124,117
Capital Assets, Being Depreciated:				
Buildings	1,579,120			1,579,120
Other Equipment	974,379	69,163	(42,000)	1,001,542
Vehicles and Equipment	389,831	92,965		482,796
Infrastructure	492,267	575,153		1,067,420
Total Capital Assets Being Depreciated	3,435,597	737,281	(42,000)	4,130,878
Less Accumulated Depreciation For:				
Buildings	(103,284)	(47,203)		(150,487)
Other Equipment	(540,899)	(74,303)		(615,202)
Vehicles and Equipment	(218,622)	(22,940)	29,400	(212,162)
Infrastructure	(71,630)	(70,669)		(142,299)
Total Accumulated Depreciation	(934,435)	(215,115)	29,400	(1,120,150)
Total Capital Assets, Being Depreciated, Net	2,501,162	522,166	(12,600)	3,010,728
Governmental Activities Capital Assets, Net	\$ 2,625,279	\$ 522,166	\$ (12,600)	\$ 3,134,845

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 22,850
Protection to Persons and Property	36,476
General Health and Sanitation	42,461
Social Services	1,261
Recreation and Culture	3,346
Roads, Including Depreciation of General Infrastructure Assets	<u>108,721</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 215,115</u>

BRACKEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 5. Short-term Debt

In July 2005, the Bracken County Fiscal Court participated in the Kentucky Association of Counties Kentucky Advance Revenue Program by issuing a note in the amount of \$207,200 with principal being due in January 2006. While the County did not use the borrowed funds in order to meet current General Fund expenses, they were able to reinvest the funds and receive net interest earnings from the Kentucky Association of Counties Advance Revenue Program of \$949.

Note 6. Long-term Debt

A. Capital Lease - Courthouse Addition and Wheel Loader

Bracken County entered into a fifteen-year lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) to build an addition onto the courthouse and to purchase a wheel loader. The lease agreement calls for an annual principal payment due each January 20. Interest payments are to be made monthly. The remaining principal balance of this lease as of June 30, 2006 was \$552,000. Liabilities of the General Fund and Road Fund are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest and Fees
2007	40,000	21,962
2008	42,000	22,771
2009	44,000	20,798
2010	46,000	18,734
2011	48,000	16,577
2012-2016	271,000	47,295
2017	61,000	1,639
Totals	<u>\$ 552,000</u>	<u>\$ 149,776</u>

B. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Financing Obligations	<u>\$ 590,000</u>	<u>\$</u>	<u>\$ 38,000</u>	<u>\$ 552,000</u>	<u>\$ 40,000</u>
Governmental Activities					
Long-term Liabilities	<u>\$ 590,000</u>	<u>\$ 0</u>	<u>\$ 38,000</u>	<u>\$ 552,000</u>	<u>\$ 40,000</u>

BRACKEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 7. Interest On Long-term Debt and Financing Obligations

Debt Service on the Statement of Activities includes \$29,128 in interest on financing obligations. \$24,600 of interest on the courthouse addition was paid directly by the state to the Kentucky Association of Counties Leasing Trust on behalf of the County.

Note 8. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 10.98 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 25.01 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 9. Insurance

For the fiscal year ended June 30, 2006, Bracken County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

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BRACKEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2006

BRACKEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2006

GENERAL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 828,000	\$ 828,000	\$ 1,067,547	\$ 239,547
Excess Fees	4,592	4,592	11,457	6,865
Licenses and Permits	2,000	2,000	1,652	(348)
Intergovernmental Revenue	87,340	287,340	378,443	91,103
Charges for Services	14,000	14,000	6,370	(7,630)
Miscellaneous	52,000	52,000	74,129	22,129
Interest	4,300	4,300	6,056	1,756
Total Revenues	<u>992,232</u>	<u>1,192,232</u>	<u>1,545,654</u>	<u>353,422</u>
EXPENDITURES				
General Government	491,565	546,570	492,698	53,872
Protection to Persons and Property	191,200	243,161	206,456	36,705
General Health and Sanitation	57,600	62,000	53,686	8,314
Social Services	3,660	3,660	2,654	1,006
Recreation and Culture	17,600	17,600	6,250	11,350
Bus Service	18,000	31,519	31,519	
Debt Service	207,400	208,993	33,992	175,001
Administration	611,644	685,166	488,174	196,992
Total Expenditures	<u>1,598,669</u>	<u>1,798,669</u>	<u>1,315,429</u>	<u>483,240</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(606,437)</u>	<u>(606,437)</u>	<u>230,225</u>	<u>836,662</u>
OTHER FINANCING SOURCES (USES)				
Financing Obligation Proceeds	175,000	175,000		(175,000)
Transfers From Other Funds	500	500		(500)
Transfers To Other Funds	<u>(135,215)</u>	<u>(135,215)</u>	<u>(65,000)</u>	<u>70,215</u>
Total Other Financing Sources (Uses)	<u>40,285</u>	<u>40,285</u>	<u>(65,000)</u>	<u>(105,285)</u>
Net Changes in Fund Balance	(566,152)	(566,152)	165,225	731,377
Fund Balance - Beginning	<u>566,152</u>	<u>566,152</u>	<u>564,466</u>	<u>(1,686)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 729,691</u>	<u>\$ 729,691</u>

BRACKEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2006
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 835,419	\$ 835,419	\$ 1,200,653	\$ 365,234
Miscellaneous	2,000	2,000	54,566	52,566
Interest	4,800	4,800	11,468	6,668
Total Revenues	842,219	842,219	1,266,687	424,468
EXPENDITURES				
General Health and Sanitation	15,800	23,404	23,404	-
Roads	988,737	1,285,327	1,152,741	132,586
Debt Service	9,200	9,200	8,536	664
Capital Projects	6,000	6,000	5,661	339
Administration	467,320	163,126	121,628	41,498
Total Expenditures	1,487,057	1,487,057	1,311,970	175,087
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(644,838)	(644,838)	(45,283)	599,555
Net Changes in Fund Balance	(644,838)	(644,838)	(45,283)	599,555
Fund Balance - Beginning	644,838	644,838	689,219	44,381
Fund Balance - Ending	\$ 0	\$ 0	\$ 643,936	\$ 643,936

BRACKEN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2006

Budgetary Information

1. Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

2. Reconciliation to the General Fund:

Total Revenues - Budgetary Basis	\$ 1,545,654
Interest Paid by State for Courthouse Addition	<u>24,456</u>
Total Revenues - Modified Cash Basis	<u><u>\$ 1,570,110</u></u>
 Total Expenditures-Budgetary Basis	 \$ 1,315,429
Interest Paid by State for Courthouse Addition	<u>24,456</u>
Total Expenditures-Modified Cash Basis	<u><u>\$ 1,339,885</u></u>

3. Reconciliation to the Road Fund:

Total Revenues - Budgetary Basis	\$ 1,266,687
Interest Paid by State for Courthouse Addition	<u>145</u>
Total Revenues - Modified Cash Basis	<u><u>\$ 1,266,832</u></u>
 Total Expenditures - Budgetary Basis	 \$ 1,311,970
Interest Paid by State for Courthouse Addition	<u>145</u>
Total Expenditures - Modified Cash Basis	<u><u>\$ 1,312,115</u></u>

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BRACKEN COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2006

BRACKEN COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2006

	Jail Fund	LGEA Fund	State Grants Fund	Senior Citizen Fund	Special Fund	Total Non-Major Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 4,717	\$ 1	\$ 10,811	\$ 8,405	\$ 57,220	\$ 81,154
Total Assets	<u>\$ 4,717</u>	<u>\$ 1</u>	<u>\$ 10,811</u>	<u>\$ 8,405</u>	<u>\$ 57,220</u>	<u>\$ 81,154</u>
FUND BALANCES						
Unreserved:						
Special Revenue Funds	\$ 4,717	\$ 1	\$ 10,811	\$ 8,405	\$ 57,220	\$ 81,154
Total Fund Balances	<u>\$ 4,717</u>	<u>\$ 1</u>	<u>\$ 10,811</u>	<u>\$ 8,405</u>	<u>\$ 57,220</u>	<u>\$ 81,154</u>

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BRACKEN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2006

BRACKEN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2006

	Jail Fund	LGEA Fund	State Grants Fund	C.D.B.G Fund
REVENUES				
Intergovernmental	\$ 48,596	\$ 9,596	\$ 25,445	\$ 5,000
Charges for Services	34,822			
Miscellaneous	33			
Interest	37	22		
Total Revenues	<u>83,488</u>	<u>9,618</u>	<u>25,445</u>	<u>5,000</u>
EXPENDITURES				
General Government				
Protection to Persons and Property	140,695			
General Health and Sanitation			53,326	5,000
Capital Projects		24,806		
Administration	5,762			
Total Expenditures	<u>146,457</u>	<u>24,806</u>	<u>53,326</u>	<u>5,000</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(62,969)</u>	<u>(15,188)</u>	<u>(27,881)</u>	
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	65,000			
Total Other Financing Sources (Uses)	<u>65,000</u>			
Net Change in Fund Balances	2,031	(15,188)	(27,881)	
Fund Balances - Beginning	2,686	15,189	38,692	
Fund Balances - Ending	<u>\$ 4,717</u>	<u>\$ 1</u>	<u>\$ 10,811</u>	<u>\$ 0</u>

BRACKEN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2006
(Continued)

Senior Citizens Fund	Special Fund	Total Non-Major Governmental Funds
\$	\$ 0	\$ 88,637
		34,822
3,940		3,973
19	793	871
<u>3,959</u>	<u>793</u>	<u>128,303</u>
5,426		5,426
		140,695
		58,326
		24,806
	663	6,425
<u>5,426</u>	<u>663</u>	<u>235,678</u>
<u>(1,467)</u>	<u>130</u>	<u>(107,375)</u>
		65,000
		65,000
(1,467)	130	(42,375)
9,872	57,090	123,529
<u>\$ 8,405</u>	<u>\$ 57,220</u>	<u>\$ 81,154</u>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



PEERCY AND GRAY, PSC

Certified Public Accountants

2300 Hurstbourne Village Drive, Suite 500

Louisville, Kentucky 40299

Phone: (502) 493-1090

FAX: (502) 493-7231

The Honorable Leslie Newman, Former Bracken County Judge/Executive
The Honorable Gary L. Riggs, Bracken County Judge/Executive
Members of the Bracken County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bracken County, Kentucky, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated October 18, 2006. Bracken County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bracken County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Bracken County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of material noncompliance or other matters that are required to be reported under Government Auditing Standards.

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Percy and Gray, PSC". The script is cursive and fluid, with the letters "P", "G", and "P" being particularly large and stylized.

Percy and Gray, PSC
Certified Public Accountants

Audit fieldwork completed -
October 18, 2006

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

BRACKEN COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2006**

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM


BRACKEN COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2006

The Bracken County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name
County Judge/Executive



Name
County Treasurer

